



DEPARTMENT OF VETERANS AFFAIRS

8320-01

Reasonable Charges for Medical Care or Services; V3.14, 2014 Calendar Year Update and National Average Administrative Prescription Drug Charge Update

AGENCY: Department of Veterans Affairs.

ACTION: Notice.

SUMMARY: This Department of Veterans Affairs (VA) notice informs the public of the updated data for calculating the “Reasonable Charges” collected or recovered by VA for medical care or services and the updated “National Average Administrative Costs” for purposes of calculating VA’s charges for prescription drugs that were not administered during treatment but provided or furnished by VA to a veteran for: (1) a nonservice-connected disability for which the veteran is entitled to care or the payment of expenses for care under a health plan contract; (2) a nonservice-connected disability incurred incident to the veteran’s employment and covered under a worker’s compensation law or plan that provides reimbursement or indemnification for such care and services; or (3) a nonservice-connected disability incurred as a result of a motor vehicle accident in a state that requires automobile accident reparations insurance. The charge tables and supplemental tables that are applicable to this notice can be viewed on the Veterans Health Administration Chief Business Office’s Internet Web site <http://www1.va.gov/CBO/apps/rates/index.asp>. These changes are effective January 1, 2014.

FOR FURTHER INFORMATION CONTACT: Romona Greene, Chief Business Office 10NB, Veterans Health Administration, Department of Veterans Affairs, 810 Vermont Avenue, NW., Washington, DC 20420, (202) 382-2521. This is not a toll free number.

SUPPLEMENTARY INFORMATION: VA has published regulations at 38 CFR 17.101 addressing “Reasonable Charges” for medical care or services provided or furnished by VA to a veteran for: (1) a nonservice-connected disability for which the veteran is entitled to care (or the payment of expenses for care) under a health plan contract; (2) a nonservice-connected disability incurred incident to the veteran’s employment and covered under a worker’s compensation law or plan that provides reimbursement or indemnification for such care and services; or (3) a nonservice-connected disability incurred as a result of a motor vehicle accident in a state that requires automobile accident reparations insurance.

The regulation at 38 CFR 17.101 includes methodologies for establishing billed amounts for the following types of charges: acute inpatient facility charges; skilled nursing facility and sub-acute inpatient facility charges; partial hospitalization facility charges; outpatient facility charges; physician and other professional charges, including professional charges for anesthesia services and dental services; pathology and laboratory charges; observation care facility charges; ambulance and other emergency transportation charges; and charges for durable medical equipment, drugs, injectables, and other medical services, items, and supplies identified by Healthcare Common Procedure Coding System

(HCPCS) Level II codes. In cases where VA has not established charges for medical care or services provided or furnished at VA expense (by either VA or non-VA providers) under other provisions or regulations, the method for determining VA's charges is set forth at 38 CFR 17.101(a)(8).

The regulation provides that the actual charge amounts at individual VA facilities based on these methodologies and the data sources used for calculating those actual charge amounts will either be published as a notice in the Federal Register or will be posted on the Internet site of the Veterans Health Administration Chief Business Office at <http://www1.va.gov/CBO/apps/rates/index.asp>. Certain charges are hereby updated as described below, effective January 1, 2014.

Based on the methodologies set forth in 38 CFR 17.101, this document provides an update to charges for 2014 HCPCS Level II and Current Procedural Technology (CPT) codes. Charges are also being updated based on more recent versions of data sources for the following charge types: Partial hospitalization facility charges; outpatient facility charges; physician and other professional charges, including professional charges for anesthesia services and dental services; pathology and laboratory charges; observation care facility charges; ambulance and other emergency transportation charges; and charges for durable medical equipment, drugs, injectables, and other medical services, items, and supplies identified by HCPCS Level II codes. These updated charges are effective January 1, 2014. As of the date of this notice, the actual charge amounts at individual VA facilities based on the methodologies in the regulation

will be posted at <http://www1.va.gov/CBO/apps/rates/index.asp>, under the heading “Reasonable Charges Data Tables” and identified as “V3.14 Data Tables (Outpatient and Professional).”

The list of data sources used for calculating the actual charge amounts will be posted at <http://www1.va.gov/CBO/apps/rate/index.asp> under the heading “Reasonable Charges Data Sources” and identified as “Reasonable Charges V3.14 Data Sources (Outpatient and Professional) (PDF).”

Acute inpatient facility charges and skilled nursing facility/sub-acute inpatient facility charges remain the same as set forth in the notice published in the Federal Register on September 26, 2013 (78 FR 59427). The effective date of those charges was October 1, 2013. The data tables containing those actual charges are posted at <http://www1.va.gov/CBO/apps/rates/index.asp>, under the heading “Reasonable Charges Data Tables” and identified as “V3.13 Data Tables (Inpatient).” The data sources used to calculate these charges are posted at <http://www1.va.gov/CBO/apps/rate/index.asp> under the heading “Reasonable Charges Data Sources” and identified as “Reasonable Charges V3.13 Data Sources (Inpatient) (PDF).”

We have also updated the list of VA medical facility locations. The list of VA medical facility locations, including the first three digits of their zip codes as well as provider based/non-provider based designations, will be posted on the Internet site of the Veterans Health Administration Chief Business Office, currently at <http://www1.va.gov/CBO/apps/rate/index.asp> under the heading “VA

Medical Facility Locations,” and identified as “VA Medical Facility Locations V3.14 (Jan14).”

As provided in 38 CFR 17.101(m), when VA provides or furnishes prescription drugs not administered during treatment, “charges billed separately for such prescription drugs will consist of the amount that equals the total of the actual cost to VA for the drugs and the national average of VA administrative costs associated with dispensing the drugs for each prescription.”

Section 17.101(m) includes the methodology for calculating the national average administrative cost for prescription drug charges not administered during treatment. The administrative cost is determined annually using VA’s managerial cost accounting system. Under this accounting system, the national average administrative cost is determined by adding the total VA national drug general overhead costs (such as costs of buildings and maintenance, utilities, billing, and collections) to the total VA national drug dispensing costs (such as costs of the labor of the pharmacy department, packaging, and mailing) with the sum divided by the actual number of VA prescriptions filled nationally. The labor cost also includes cost for the professional activity of reviewing and dispensing a prescription.

Based on the accounting system, VA will determine the amount of the national average administrative cost annually for the prior fiscal year (October through September) and then apply the charge at the start of the next calendar year. The national average administrative drug cost for the calendar year

(CY) 2014 is \$13.07. This change is effective on January 1, 2014, and will be posted at <http://www1.va.gov/CBO/payerinfo.asp> and identified as "CY 2014 Average Administrative Cost for Prescriptions."

Consistent with the regulations, the national average administrative cost, the updated data tables, and supplementary tables containing the changes described in this notice will be posted online, as indicated in this notice. This notice will be posted at <http://www1.va.gov/CBO/apps/rates/index.asp> under the heading "Federal Registers, Rules, and Notices" and identified as, "V3.14 Federal Register Notice 01/01/14 (Outpatient and Professional), and National Administrative Cost (PDF)." The national average administrative cost, updated data tables, and the supplementary tables containing the changes described will be effective until changed by a subsequent Federal Register notice.

Approved: December 9, 2013

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Jose D. Riojas, Chief of Staff,  
Department of Veterans Affairs.

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